

HUNTER WATER'S 2025-30 PRICING PROPOSAL – A SUBMISSION.

Hunter Water is asking for approval of its 2025-30 pricing proposal. These are services which are provided by a state government owned monopoly corporation and services which are essential for human health.

The proposal is to increase costs, in real terms, to a level where very many residents may be unable to pay.

At the time of preparing its pricing proposal, Hunter Water acknowledged some customers are already struggling with cost-of-living pressures. A progressive increase over 5 years will see the 'typical' household, using water and wastewater services, paying about 28.5% more in real terms in 2030 than at present.

No matter which way Hunter Water chooses to describe it, its pricing proposal is unacceptable; it is untenable.

The Lower Hunter Water Security Plan, a whole-of government initiative, clearly states proposed actions are likely to increase bills with a one-off increase after July 2025 of between 6 and 9 percent for the average customer. The LHWSP suggests a one-off increase, not an annual increase for 5 years as proposed.

IPART's Best Practice Pricing Principles states *The price structure should match an agency's cost structure (i.e. usage charges should reflect the marginal cost of supply, and service charges should recover remaining costs).*

As the long-run marginal cost structure as proposed will almost certainly cause considerable hardship, it is questionable whether the marginal cost of supply plus recovery of remaining costs should apply to a wholly owned government monopoly essential service. It may now be time to revisit Best Practice pricing options for Hunter Water.

Regarding cost recovery, the Australian Government Cost Recovery Policy, Part 1, point 6 states in part: *Other Australian Government charges and payments that are not cost recovery for the purposes of the policy include: payments that offset the cost of a specific one-off or ad hoc event, activity or service.*

And point 12 states *It is usually inappropriate to cost recover some government activities, such as general policy development, ministerial support, law enforcement, defence and national security. In certain circumstances, cost recovery may also be contrary to intended policy outcomes, such as the provision of community services or industry support.*

Although the above are Australian Government policies, surely the same philosophy must apply to the NSW Government.

The NSW Government's Growing Local Economies Fund *will ensure regional NSW has the infrastructure it needs to allow local businesses to grow and thrive. Infrastructure could include road works, natural gas mains and pipelines, water supply, sewerage connections and telecommunications.*

Does the NSW Government not have a duty, a responsibility, to provide infrastructure to supply an essential service such as water supply?

The Proposal – at a glance says: *Our proposed increase in water prices is partly in the fixed charge and mostly in the variable charge. We heard this was a balanced, fair and equitable approach providing customers the best opportunity to reduce the impact on their bills.*

I agree with the customer approach to balanced, fair and equitable pricing but the Proposal takes the opposite approach. The Proposal's user-pays philosophy statement describes *efficiency, efficient cost and efficient pricing*. It fails to mention fairness or equity. Equity should be uppermost in Hunter Water's pricing philosophy.

The proposal, despite clearly and incorrectly stating water charges are mostly in the variable or usage charge, is further entrenching the fixed charge. The wastewater charge is only a fixed charge. Stormwater is only a fixed charge.

By pursuing fixed charges, Hunter Water is maximising revenue from every customer regardless of the demand and load the household places on the various systems. The Proposal is an unfair and inequitable pricing policy which, if approved, will place considerable stress and hardship on many customers.

Water. The proposed increase in the water service charge (without inflation) is 54.2% in 2025-26, dropping to 17.1% in 2029-30. The proposed increase in water usage charge (without inflation) is 10.4% in 2025-26, dropping to 7.3% in 2029-30.

On a percentage basis the water service charge is very much higher than the water usage charge.

Wastewater. Regarding charges for transporting and processing domestic wastewater, Hunter Water's proposed wastewater prices must be challenged. The Proposal states *The total wastewater charge for a household is all fixed, but the fixed amount is based on an assumed amount of water discharged into the wastewater system*. This approach has no logic; it is completely inequitable.

Hunter Water offers no justification for a typical household's wastewater charge being near 20 times its combined water charge. There appears to be considerable and entrenched cross-subsidisation in place.

Other than for efficiency, there is no justification for wastewater pricing to be fixed. The proposed charges are regardless of the quantity of water drawn from the water main and therefore the maximum volume of water any particular household can discharge to wastewater.

Stormwater. It appears that stormwater pricing is currently set at a fixed amount per year for a residential block of land, irrespective of size and whether developed or not. A house on a large block of land, say 1500sq metres, pays Hunter Water \$97.04 in the current year for stormwater disposal. If that same property is divided into a house lot of 750 sq metres and a vacant lot of 750 sq metres then there will be a stormwater charge of \$97.04 for both blocks.

Recommendations.

As the proposal for all three domestic water, wastewater and stormwater services is illogical, is not balanced, fair or equitable, the charges for each service should reflect the ongoing cost of each individual service. The funding of construction of major assets should be the responsibility of the state government and/or Australian government.

Water prices

The water usage or consumption charge should be changed to a tiered pricing structure, just as Perth's Water Corporation does. The first tier should be set at, say, 40kl per 4-monthly billing with the kilolitre cost as appropriate. The second tier covers usage between, say, 40kl and 60kl per 4 months at a cost premium of, say, 15% above tier 1. The third tier covers usage above 60kl per 4 months and has a cost premium of, say, 30% above tier 1.

The water service charge could therefore be somewhat lower.

Wastewater prices

Unless there is evidence to prove otherwise, there should be no difference between the wastewater service charge for houses and apartments. The current and proposed wastewater prices appear unjustified if the same approach of balance, fairness and equity is applied to wastewater pricing.

A wastewater disposal charge should be re-introduced with houses 'deemed' to discharge, say, 75% of water used to the waste system while apartments are 'deemed' to discharge 95% of used water to the waste system.

A modest service charge should be determined with the discharge volume and therefore charge being the appropriate percentage of the metered water used in the household. Again, a tiered discharge cost should be applied.

A household's overall wastewater cost should reflect a fair and equitable contribution to the wastewater system's ongoing running cost.

Stormwater prices

Stormwater pricing should be based on the land area of the property. For houses with a rainwater tank, correctly plumbed to catch roof runoff, an appropriate allowance should apply to the stormwater charge.